

STATEMENT OF PURPOSE

RS20450

This legislation will provide that the optional underinsured vehicle coverage purchased by the consumer will be available in its entirety when it is needed, should the insurance of the at fault driver be exhausted by medical bills, lost wages, and other damages. Except in the states where it is prohibited, almost all automobile insurance companies (with the notable exception of State Farm Insurance) insert a clause in the policy that requires a deduction from the coverage limits of the injured driver's underinsured policy by the exact amount of the at fault driver's policy. The consumer is rarely aware of this obscure clause or its net effect, and it has the practical effect in many catastrophic accidents of reducing or evaporating entirely the underinsurance purchased by the injured driver. This legislation will ensure that the large majority of Idaho consumers who currently elect to buy optional underinsurance, will always have exactly what they paid for (and thought they bought) when the at fault policy limits are exhausted in serious accidents. Only the sale of true ("excess") underinsurance instead of the current "offset" underinsurance will be available for purchase in Idaho. Similarly protected by this consumer fairness legislation will be those in the medical community who provide the medical services and those parties who pay the medical bills and thus have a reimbursement or subrogated interest from all available sources of insurance. These groups include—for example—hospitals, doctors, and all medical providers, in addition to the counties, the CAT fund, Idaho Medicaid, Crime Victims fund (DUI accidents), State Insurance Fund (workers compensation), and health insurance providers such as Blue Cross and Blue Shield. The relevant language in this legislation is identical to the language introduced in 2007 by Senator Brent Hill (Senate Bill 1125). <http://www.legislature.idaho.gov/legislation/2007/S1125.html>

FISCAL NOTE

This bill will benefit the state general fund and special funds in amounts still to be determined, but taken together with the legislation set out in RS20446 (raising auto liability insurance minimums; see fiscal note in RS20446), it is conservatively estimated to be between one and two million dollars because of substantially increased insurance dollars available for reimbursements from state entities with a subrogated interest in accident settlements.

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